



Livestock and Poultry: World Markets and Trade

In 2004, World Meat Exports Are Forecast to Decline 4 Percent

In 2004, pork, beef and poultry meat (broiler and turkey) exports from major exporting countries are forecast at 16.7 million tons, down 4 percent from 2003. Beef exports are expected to fall 9 percent and pork exports decline by 1 percent in 2004. Broiler exports are to decline marginally due to Avian Influenza (AI) outbreaks in several Asian countries and the United States.

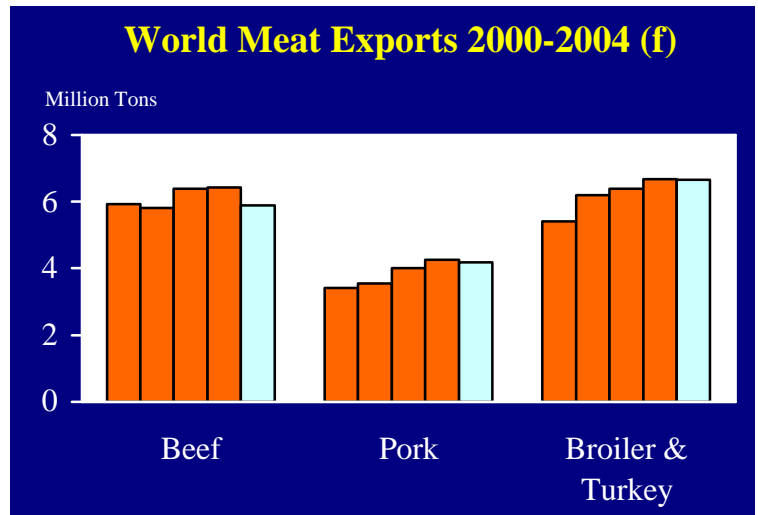
Beef exports by leading world suppliers are forecast to fall to 5.9 million tons, a 9 percent decrease from the 2003 level and a 15 percent

downward revision from the 2004 forecast in October 2003. World beef trade was significantly disrupted after BSE was discovered in Canada and the United States in 2003. A majority of beef importing countries placed import bans on all U.S. and Canadian beef. Continuation of these bans through 2004, especially for the United States, will result in reduced imports. Brazil and Australia's exports are expected to increase in 2004, as they are not affected by BSE import bans, but not enough to entirely fill the deficit of major importing countries.

Pork exports for 2004 by leading suppliers are estimated at nearly 4.2 million tons, down 1 percent from the 2003 level, due mainly to lower exports from Brazil. The decrease in Brazil's pork exports is attributed to difficulties in getting a larger share of the Russian quota system for pork imports.

Broiler and turkey exports for 2004 by leading suppliers are forecast at 6.6 million tons, slightly below 2003 levels and nearly a 2 percent downward revision from the 2004 forecast in October 2003. Recent cases of high-pathogenic Avian Influenza (HPAI) in several Asian countries and the United States have disrupted trade in broiler meat and turkey. Many Asian countries have imposed nation wide import bans on countries with confirmed cases of AI, such as China, Thailand and the United States, who are the top three suppliers of broiler meat to Asia. Despite these trade restrictions, world exports are expected to decline less than one percent in 2004, as Brazil is forecast to increase broiler exports by 10 percent over 2003 levels.

In 2004, U.S. total meat exports are forecast at about 3.5 million tons, down nearly 21 percent from 2003. The decline is mostly in beef, which is forecast 83 percent down from last year, while combined broiler and turkey exports are virtually unchanged, and pork is up over 6 percent. The U.S. share of the world beef market in 2004 is forecast to fall from 18 percent to 3 percent.



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To view this information on the internet, please go to: <http://www.fas.usda.gov/dlp/dlp.html>

NOTE TO READERS

The *Livestock and Poultry: World Market and Trade* circular is designed to give the reader a snapshot picture of what is happening among the major players in world beef, pork, broiler meat, and turkey meat trade. Summary tables for meat production, imports, exports, and consumption are presented to provide an overview of the world situation. In addition, an explanation of significant changes in production, supply, and demand (PSD) is provided for major meat importing and exporting countries.

Beginning March 2004, the circular will be posted to the USDA and FAS website and transmitted electronically. The October 2003 circular represented the last printed version.

Australia beginning total cattle stock numbers are revised using an updated cattle inventory series, published on June 30, 2003 by Australian Bureau of Statistics (ABS). New Zealand total cattle beginning stock numbers and calf crop have been revised to match New Zealand's 2002 census numbers.

The production series for the European Union (EU) for 2002 and 2003 were revised to better reflect trends reported in official EU statistics for poultry meat. In October 2004, the complete PSD data series for the EU-15 will be changed to account for 10 new members to the EU. The new EU-25 data series will begin in 1999 and be based on consolidated EU-25 reporting by FAS offices in the EU. The 2005 forecasts will represent the production, supply, and demand (PSD) of 25 members in the EU.

The Ukraine broiler production series was revised from 1991 to 1994 to account for changes in the conversion rate from live weight to product weight equivalent.

World Totals

Only those countries that make up USDA's official PSD database are reported. This means world totals do not encompass all production, consumption, and trade, but rather the sum of those countries reported in USDA's database, which represent the most important players in the world meat PSD situation. In an attempt to capture these major players, the list of countries reported changes periodically.

PSD Online

The entire USDA PSD database is available electronically on PSD Online. Users can use this system to generate the full set of PSD data for those countries reporting. PSD Online can be reached through <http://www.fas.usda.gov/psd>.

In addition, please refer to the USDA/FAS Dairy, Livestock and Poultry (DLP) website at: <http://www.fas.usda.gov/dlp/dlp.html> for additional data and analysis, such as *International Agricultural Trade Reports*, *Trade at a Glance* and *Country Pages*. These reports are posted regularly on the homepage covering analysis on current issues and topics, new trade data, and market competition.

World Beef Overview

Total Beef Exports to Drop 9 Percent in 2004; U.S. Beef Exports Drop 83 Percent

World Trade: Total beef exports for major exporting countries are forecast at nearly 5.9 million tons for 2004, revised down 15 percent from the previous October 2003 forecast due to the impact of BSE in the United States. Due to uncertainties about the length of time before importing countries lift trade restrictions on U.S. beef, trade forecasts for beef are based on the country's current policy--import bans remain in effect and no assumption is made about when trade could resume. The Department expects to revise its trade forecasts to reflect subsequent changes in import policies. Brazil is forecast to surpass Australia as the top world exporter of beef, with exports expected to approach a record 1.4 million tons. Brazil has made outstanding strides in increasing its production, which is forecast to grow 4 percent in 2004. Australia is expected to increase its exports in 2004 to Asian markets that have banned imports of U.S. beef. Canadian exports are forecast to rise 47 percent in 2004 over 2003 exports, as exports primarily to the United States recover to pre-BSE export levels. The United States remains the world's largest import market. In 2004, Japan, which has not recovered to its pre-BSE import volumes, is expected to fall to the fourth largest beef import market as imports from the United States and Canada are currently banned. The bans on U.S. beef in Asia have resulted in Russia and the EU moving to places two and three respectively. Russia is still not importing at its historical high in 1999 and with its limiting tariff-rate quota, is not expected to be an expanding import market in 2004. Meanwhile, the EU is likely to remain a net importer, as prices remain high and its exports have never fully recovered from the BSE discoveries. Japan and Korea's bans on U.S. and Canadian beef are expected to constrain imports in 2004 likely pushing import beef prices higher.

Key Exporters:

- **United States:** On December 23, 2004, the United States suffered a major trade disruption upon finding one case of BSE, which resulted in the closing of more than 70 foreign markets to beef imports from the United States. As markets are assumed to remain closed until importing countries announce a change in policy, beef exports for 2004 are forecast at 195,000 tons, just 17 percent of 2003 exports. Cattle supplies were already tight prior to the discovery of BSE, resulting from ongoing herd liquidation since 1996 because of drought in many areas and strong demand for beef. Lower production and robust consumer demand are helping to support cattle prices. The forecast for live cattle exports in 2004 has been lowered to 5,000 head. Canada did relax its testing requirements for anaplasmosis and bluetongue on U.S. feeder cattle, which promises to expand market access in Canada after requirements are modified for importing cattle from countries with low risk of BSE.
- **Brazil:** After a decade of expanding its beef production, Brazil is forecast to become the world's largest beef exporter in 2004. This strong growth in the beef sector will lead to record beef exports, forecast at nearly 1.4 million tons in 2004.

Brazil has doubled the number of countries it exports to in recent years and is likely to fill some part of the beef deficit left by import restrictions on the United States in Hong Kong and smaller markets looking for substitutes for U.S. beef. Brazil cannot compete to fill the deficit in Japan and Korea, due to its FMD status. However, the bulk of Brazil's exports of fresh and frozen beef go to the EU, where U.S. beef does not compete for market share. The strong Euro will help Brazil have a competitive edge in exporting to the EU, where it currently has 25 percent market share. Brazil's expanded beef output, expected to reach a record 7.7 million tons in 2004, is due to improved genetics, better management, and higher profitability in cattle production. Growth in production is further expected to be supported by a rebound in domestic demand due to decreased unemployment and federal programs to fight hunger and improve nutrition.

- **Australia:** Total beef exports are forecast to increase to 1.3 million tons in 2004 as Australia takes advantage of U.S. beef being shut out of Asia. Japanese and Korean importers are likely to call upon Australia to supply additional beef. While grass-fed beef does not completely substitute for grain-fed beef, Australia has steadily increased its grain-fed beef production from 15 percent in the early 1990's to currently around 30 percent of total production. Reduced U.S. cow slaughter and the continued ban on imports of Canadian cows into the United States are factors underlying Australia's exports of beef to the United States for manufacturing and processing. Australia's beef production is forecast at more than 1.9 million tons, mostly unchanged from 2003. Normal weather has returned to Australia, allowing producers to increase cattle inventories as they retain stock on improving pastures. Live cattle exports are expected to reach 800,000 head in 2004.
- **Canada:** In 2004, Canadian beef exports are expected to rebound from 2003 levels to 565,000 tons, due to increased exports to the United States and Mexico, its two largest markets. Canada suffered a major trade disruption with the discovery of one case of BSE in May 2003. Canada's exports reached only 384,000 tons in 2003 after it was shut out of most export markets in the second and third quarters of the year. In September, Canada resumed exporting boneless beef products from cattle less than 30 months of age to the United States and Mexico. Boneless beef exports completely replaced what were formerly bone-in exports. Canadian cattle are still prohibited from importation into the United States. USDA published a preliminary rule on cattle imports that proposes to open the U.S. border to Canadian cattle under 30 months of age. The comment period will end on April 7, 2004.
- **New Zealand:** Even with possible export growth opportunities due to BSE in the United States and Canada, exports are anticipated to fall 3 percent in 2004 to 560,000 tons. The New Zealand dollar has grown stronger, and returns to producers are falling. The United States, which takes half of New Zealand's beef exports, shows no weakening demand for New Zealand's frozen beef, particularly as U.S. cow slaughter is expected to decline. New Zealand's beef production is

forecast to show about a 1 percent decline in 2004 due to declining slaughter rates as dairy calves are retained for beef production.

- **European Union:** Beef exports for 2004 are forecast at 360,000 tons down 10 percent from 2003 exports, due mainly to the Russian TRQ. Higher beef prices are expected to make it more difficult to compete with South American suppliers. In 2003, beef exports declined from the previous year by 22 percent when the Russian TRQ and strong Euro exchange rate hampered exports from mainly Germany and Ireland. The summer drought in 2003 had a minimal impact on beef production, which is forecast to grow by less than 1 percent in 2004. Competitively priced imports from South America have edged into some of the EU's traditional markets, while its presence in export markets has not fully recovered from BSE. In 2003, the strong Euro negatively impacted cattle exports, which fell 11 percent from 2002, but in 2004, cattle exports are forecast to increase by 4 percent.

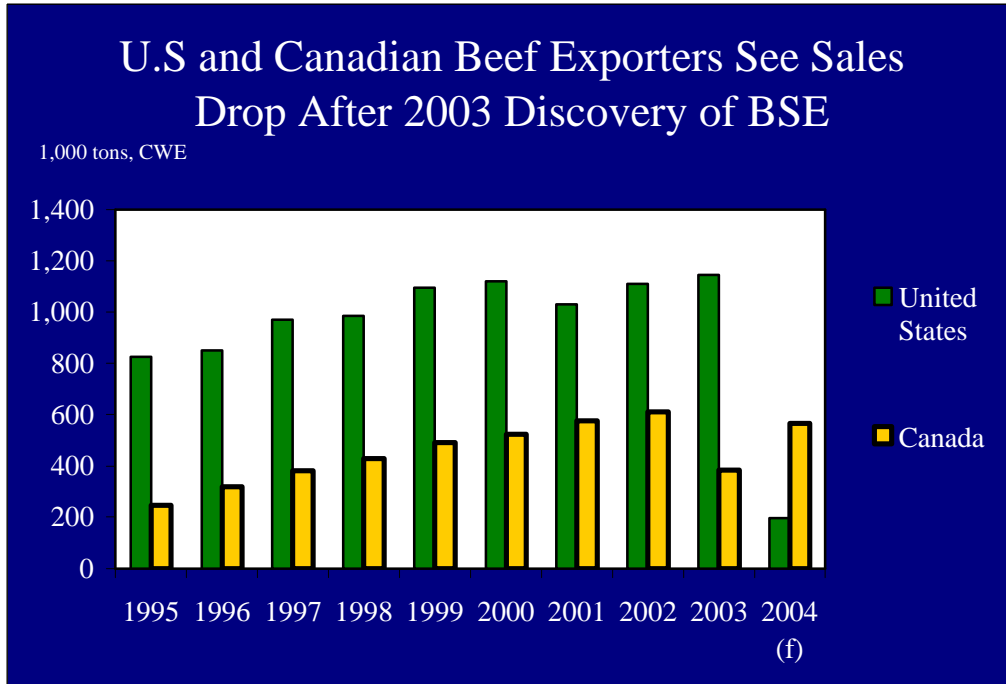
Key Importers:

- **United States:** Beef imports for 2004 are forecast 11 percent higher than 2003 at a record 1.5 million tons. Consumer demand remains strong, which has helped support prices after the closure of most U.S. export markets. Consumption is expected to expand by 4 percent in 2004. U.S. beef production is forecast to fall 4 percent, as cattle inventories decline. Declining cow beef production is expected to support demand for imports of lean manufacturing beef to mix with fat trimmings. The lack of Canadian beef and cattle imports, in conjunction with already tight U.S. supplies and strong demand, drove both beef and cattle prices dramatically up in the latter part of 2003. However, imports of Canadian beef have recovered to pre-Canadian-BSE levels, although only boneless product is imported. Cattle and beef prices dropped after the announcement of the U.S. BSE case, but have remained high during the first quarter of 2004. Additionally, tight cattle supplies after a season of poor feeding conditions reduced production in the fourth quarter of 2003 and into the first quarter of 2004, helping offset impacts from lost export sales. Imports of live cattle are forecast at 1.1 million head and will come primarily from Mexico since Canadian live cattle are still banned from import.
- **Russia:** Beef imports for 2004 are forecast at 650,000 tons, up 10 percent from 2003. Traditionally, imports have largely consisted of low-grade, frozen beef for further processing into sausage. Russia announced a new TRQ for 2004 in November 2003. The frozen beef and chilled beef TRQs were set at 420,000 tons and 27,500 tons, respectively, with the United States allocated 17,200 tons of the frozen beef TRQ. The CIS, which supplies 25 percent of Russian imports of frozen beef, is exempt from Russia's TRQ. A poor grain harvest is expected to cause a reduction in Russian beef production by limiting feed for cattle, and resulting in increased slaughter rates and reduced slaughter weights in 2004.

Russian beef production is forecast at 1.6 million tons, a 4 percent decrease from 2003.

- **European Union:** The EU will remain a net beef importer in 2004 with a 200,000-ton trade deficit. Beef imports in 2004 are forecast at a record 560,000 tons, up 10,000 tons from 2003. Argentina, Brazil, Uruguay and Poland are the top exporters to the EU. In 2003, South America was so price competitive that it was able to ship beef above the TRQ with the full tariff rate applied. The expansion of the 10 additional member countries into the EU is effective May 1, 2004. Poland, the fourth largest supplier of beef to the EU and a supplier of 4 percent of EU imports, will be absorbed in the expansion and subsequently increase EU production with its healthy livestock sector. Consolidated EU-25 reporting will not begin until the 2005 forecast is released in October 2004. EU cattle imports in 2004 remain virtually unchanged from the 2003 level.
- **Japan:** In 2004, Japan's imports are forecast down 36 percent from 2003 at 520,000 tons. The ban on U.S. beef imports, if continued, creates a supply deficit that Australia and New Zealand are not expected to completely fill, due to the combination of already tight supplies in Australia and Japanese demand for grain-fed beef. Japan will have to compete with Korea for beef from Australia and New Zealand unless additional North American beef is allowed into these markets. Consumption is forecast to decline by about 20 percent due to shortages of imported high quality beef. Japan continues to demand that all beef exported to Japan from BSE countries come from animals that have been tested for BSE and that have had specified risk materials (SRMs) removed regardless of age.
- **Mexico:** In 2004, beef imports are forecast to decline 32 percent from 2003 to 250,000 tons due to the impacts from finding BSE in the United States, Mexico's largest supplier. The trade restrictions on U.S. beef, now relaxed for boneless beef from cattle less than 30 months of age, will allow a resumption of beef imports, but are expected to constrain Mexico's ability to import lower-value cow beef. U.S. beef must compete on price and lower transportation costs with Canada to regain lost market share, but factors such as the strong U.S. dollar and high U.S. beef prices may make this a difficult challenge. Therefore, Canada has an opportunity to increase its market share. Mexico's cattle herd further declined to 19.5 million head on January 1, 2004, 35 percent below a decade earlier.
- **Korea:** Beef imports for 2004 are forecast to drop by 55 percent to 200,000 tons due to the ban on U.S. beef after the finding of BSE in the United States. This ban has had major impacts on the market, such as decreasing consumption of beef by about 27 percent and increasing consumption of pork and fish. In Korea, U.S. beef usually accounts for 60 percent of imports. Korea is also maintaining a ban on Canadian beef, which previously supplied 4 percent of Korean beef imports. It is not anticipated that Australia and New Zealand will be able to offset the decline in beef imports from the United States, which was 292,000 tons in 2003. Without the imported beef, demand for domestic beef remains strong although

domestically produced Hanwoo beef is 4.5 times more expensive than imported beef.



Beef and Veal Summary Selected Countries

1,000 Metric Tons (Carcass Weight Equivalent)

	1999	2000	2001	2002	2003 (p)	2004 (f)
Production						
Brazil	6,270	6,520	6,895	7,240	7,385	7,680
European Union 3/	7,569	7,462	6,896	7,456	7,300	7,336
China, Peoples Republic of	5,054	5,328	5,488	5,846	6,130	6,500
Argentina	2,840	2,880	2,640	2,700	2,800	2,650
Mexico	1,900	1,900	1,925	1,930	1,950	2,200
India 2/	1,660	1,700	1,770	1,810	1,960	2,070
Australia	1,956	1,988	2,049	2,089	1,954	1,950
Russian Federation	1,900	1,840	1,760	1,740	1,670	1,610
Canada	1,238	1,246	1,250	1,272	1,135	1,325
Ukraine	791	754	646	704	775	665
Others 1/	6,310	6,169	5,656	5,784	4,584	4,581
Total Foreign	37,488	37,787	36,975	38,571	37,643	38,567
United States	12,124	12,298	11,983	12,427	12,043	11,553
World Total	49,612	50,085	48,958	50,998	49,686	50,120
Consumption						
European Union 3/	7,435	7,329	6,824	7,507	7,640	7,550
China, Peoples Republic of	5,010	5,290	5,448	5,835	6,116	6,484
Brazil	5,863	6,102	6,191	6,437	6,273	6,400
Mexico	2,250	2,309	2,341	2,409	2,308	2,440
Russian Federation	2,734	2,309	2,404	2,395	2,255	2,255
Argentina	2,501	2,543	2,514	2,362	2,428	2,240
India 2/	1,438	1,335	1,400	1,394	1,495	1,550
Japan	1,475	1,579	1,371	1,285	1,324	1,050
Canada	994	992	968	977	1,013	1,000
Australia	722	645	654	704	726	672
Others 1/	6,634	6,391	5,785	5,881	4,625	4,351
Total Foreign	37,056	36,824	35,900	37,186	36,203	35,992
United States	12,325	12,503	12,351	12,738	12,341	12,843
World Total	49,381	49,327	48,251	49,924	48,544	48,835

Source: Counselor and attache reports, official statistics, and results of office research.

Note: 1/ For 2003, Colombia, Costa Rica, Dominican Republic, El Salvador, Honduras, Nicaragua and Venezuela are dropped from the database. 2/Includes buffalo

3/ The 2004 forecast only represents EU-15.

(p) preliminary; (f) forecast

Beef and Veal Summary Selected Countries

1,000 Metric Tons (Carcass Weight Equivalent)

	1999	2000	2001	2002	2003 (p)	2004 (f)
Imports						
Russian Federation	838	478	650	660	590	650
European Union 3/	457	450	413	518	550	560
Japan	959	1,061	955	678	810	520
Mexico	358	420	426	489	370	250
Canada	254	263	299	307	274	230
Korea, South	242	324	246	430	444	200
Philippines	99	118	104	126	120	125
Egypt	218	236	136	162	100	100
Taiwan	94	83	78	89	98	85
Brazil	54	72	44	78	63	70
Others 1/	318	244	216	228	201	180
Total Foreign	3,891	3,749	3,567	3,765	3,620	2,970
United States	1,303	1,375	1,435	1,460	1,363	1,510
World Total	5,194	5,124	5,002	5,225	4,983	4,480
Exports						
Brazil	464	492	748	881	1,175	1,350
Australia	1,270	1,338	1,398	1,365	1,261	1,300
Canada	492	523	575	610	384	565
New Zealand	462	505	516	505	578	560
India 2/	222	365	370	416	465	520
Argentina	359	357	169	348	384	420
European Union 3/	994	644	575	512	400	360
Uruguay	189	236	145	259	314	330
Ukraine	151	157	98	146	172	140
China, Peoples Republic of	57	54	60	43	43	45
Others 1/	126	128	131	188	109	95
Total Foreign	4,786	4,799	4,785	5,273	5,285	5,685
United States	1,094	1,119	1,029	1,110	1,144	195
World Total	5,880	5,918	5,814	6,383	6,429	5,880

Source: Counselor and attache reports, official statistics, and results of office research.

Note: 1/ For 2003, Colombia, Costa Rica, Dominican Republic, El Salvador, Honduras, Nicaragua and Venezuela are dropped from the database. 2/ Includes buffalo.

3/ The 2004 forecast only represents EU-15.

(p) preliminary; (f) forecast

World Pork Overview

U.S. Exports Are Forecast to Reach a New Record in 2004.

World Summary: The shadows of the BSE and avian influenza outbreaks have already enveloped world pork trade for 2004. Unshaken consumer confidence in pork could create a positive windfall for growth in both production and consumption. In trade, world pork exports are expected to reach almost 4.2 million tons in 2004. Nevertheless, there is an increasing awareness that meat trade flows are becoming largely dictated by sanitary conditions and regulations. Exporters worry that market access, driven by trade policy, as well as veterinary and food safety controls, can become easily susceptible to non-tariff trade barriers, especially when controls are not based on sound science. Within this very uncertain environment, exporting countries are vying to maintain a competitive edge in lucrative markets. At the same time, importing countries are striving to ensure fairness for their domestic producers, while also safeguarding the health and economic needs of their consumers.

Key Exporters:

- **United States:** U.S. pork production is forecast to increase by 1 percent in 2004. Imported Canadian feeder and slaughter pigs have helped sustain U.S. pork production at record levels. At the same time, U.S. hog farmers, alarmed by the inflow of Canadian animals, have filed anti-dumping and countervailing duty petitions with the U.S. government. The investigation should be completed within a year, but preliminary duties could become effective by June 1, 2004 for the countervailing duty case, and by August 12, 2004 for the anti-dumping case. Meanwhile, U.S. pork exports continue to grow, with Japan, Mexico, and Canada accounting for almost 80 percent of exports in 2003. Foreign demand for U.S. pork is expected to remain strong in 2004, especially as lingering concerns over BSE and avian influenza continue to affect trade in beef and poultry. The relative weakness of the U.S. dollar should further enhance the competitiveness of U.S. pork. In addition, the United States recently concluded negotiations on several free trade agreements. U.S. pork is expected to gradually develop new market opportunities, particularly in Chile and in the five Central American countries of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. The United States and Australia recently completed a risk assessment that now allows U.S. processed pork products into Australia.
- **Canada:** Canadian pork production is forecast to grow by less than 1 percent in 2004, to 1.9 million tons. High feed grain prices, declining profitability and falling domestic consumption will reduce incentives to expand production. Despite a weakened U.S. dollar, Canadian exports of feeder and slaughter pigs to the United States have been very strong, reaching over 7.4 million head in 2003, an increase of 30 percent from 2002. Hog exports in 2004 are forecast at 7.8 million head, but the anti-dumping and countervailing duty cases could potentially affect live animal shipments to the United States, inducing Canada to expand processing capacity as

some plants go to double shifts. The May 2003 BSE crisis in Canada disrupted domestic pork consumption, as Canadian consumers responded to lower beef prices by increasing their purchases of beef. Exports, which now account for more than 50 percent of Canadian pork production, grew by more than 12 percent. In 2004, pork exports are estimated to reach 1.05 million tons, ensuring Canada's place as the world's largest pork exporter after the EU. The U.S. continues to be the major market for Canadian pork, absorbing over 56 percent of Canada's total pork exports in 2003.

- **Brazil:** Brazilian pork production is forecast to decline by 3 percent in 2004. During the previous two years, Brazil exported 23 percent of its domestic pork production, with more than 65 percent of these exports destined to Russia. Under the 2004 Russian quota system, Brazilian pork will compete for a share of the 179,500-ton quota reserved for "other countries". Although Brazilian pork is expected to remain very competitive in the Russian market, this quota is considerably lower than the 300,000 tons (pwe) Brazil shipped in 2003. To compensate, Brazil will continue to look to other markets, building upon its recent successes in Singapore, South Africa, the Netherlands, and Argentina. The forecast 30 percent decrease in exports will provide opportunities to expand domestic pork consumption, which remains still notoriously low. Falling retail pork prices due to oversupply could ease some of the Brazilian consumer income constraints. However, at the same time, if production costs rise, lower hog prices could also squeeze the profitability of Brazilian hog farmers recovering from the 2002 price lows.
- **European Union:** Lower beginning inventories and reduced sow numbers continue to affect the 2004 outlook on EU-15 production. Production levels remain unchanged from 2003, as improvements in productivity appear to offset rising production costs. Producer prices have also been rising due to tighter supplies, and there is some evidence of strengthening consumer demand, particularly in Germany. French producers, still recovering from the effects of the 2003 drought, will receive a \$18 million aid package for market restructuring, research, and to promote quality and branded products. In January 2004, concerns over rising feed prices, as well as the relative strength of the Euro vis-à-vis the U.S. dollar, brought the EU Commission to announce that it would reintroduce export refunds for pig carcasses and cuts. The decision, which was later rescinded in March, would not in any case have applied to the 10 accession countries entering the EU on May 1, 2004. With accession, the EU Commission estimates that the new EU pork production number will immediately increase by up to 25 percent. At the same time, pork consumption in many accession countries is very high, and is likely to continue to increase as incomes rise.

Key Importers:

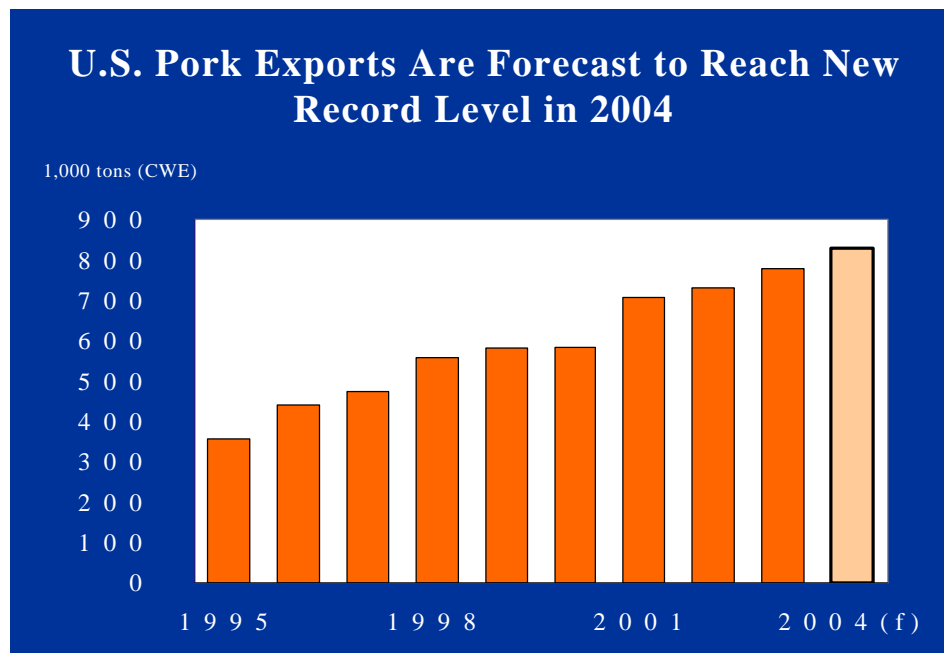
- **United States:** In 2003, the United States imported a record 538,000 tons of pork, an 11 percent increase from 2002. Imports, however, are expected to decrease by 1 percent in 2004, due primarily to the relative weakness of the U.S. dollar. U.S. consumer demand remains strong, especially for competitively priced pork loins, ribs

and bellies. Pork imports must comply with USDA's Food Safety and Inspection Service regulations. As for the proposed Country-of-Origin Labeling regulations (COOL), the 2004 Omnibus Appropriations Bill has delayed mandatory implementation until 2006. For further information on COOL, please refer to the following internet website: <http://www.ams.usda.gov/cool/>.

- **Japan:** Although Japan is still the world's largest pork importer, imports declined by nearly 3 percent in 2003. Accumulating inventories of frozen pork helped to weaken import demand, particularly for pork processing. At the same time, 2003 Japanese domestic production reversed earlier trends by growing 2 percent over the previous year. In 2004, domestic production is expected to increase again by almost 1 percent. Nevertheless, declining stocks and strong consumer demand are expected to push 2004 pork imports to 1.3 million tons, a new record and almost 15 percent above 2003 levels. The safeguard duty on pork imports, which raises the gate price for carcass imports from 409 Yen to 510 Yen per kg (\$1.54 per lb to \$1.92 per lb), and the gate price for pork cuts from 546 to 681 Yen per kg (\$2.05 per lb to \$2.56 per lb), will expire on March 31, 2004. This special safeguard provision is designed to trigger when quarterly imports exceed the average of the three previous corresponding quarters by 19 percent or more. A surge in imports could once again trigger the safeguard.
- **Hong Kong:** With the disruptions in beef and poultry supplies, Hong Kong's 2004 pork trade is expected to remain vigorous as imports are forecast to increase by more than 10 percent. Although growth in pork demand could taper later in the year if beef and poultry meat supplies increase, the Hong Kong pork market is forecast to import 335,000 tons of pork in 2004. It is estimated that about 19 percent of Hong Kong's pork imports will be re-exported, primarily to China. The USDA forecast for Hong Kong does not include re-exports. This re-export trade however continues to decline, as more and more shipments appear to be going directly into northern China instead of through Hong Kong. China and Brazil are Hong Kong's two largest suppliers, each respectively accounting for 43 percent and 20 percent of all imports. Brazilian pork has been very competitive both in price and in meeting the gradually more exacting retail specifications.
- **Mexico:** Mexican pork production is expected to reach 1.15 million tons in 2004, an increase of almost 5 percent above the 2003 level. Live hog imports, which fell by more than 50 percent in 2003, are expected to grow by 25 percent in 2004. The Mexican pig crop and slaughter are also expected to rise to meet growing consumer demand, due to the BSE situation. While Mexican beef imports from the U.S. have now resumed, pork consumption is expected to remain strong, growing by nearly 4 percent in 2004. The productivity and profitability of the Mexican pork sector appears to be improving; nevertheless, Mexico's consumption growth continues to outpace domestic supply. Mexico's imports are therefore expected to grow by 4 percent in 2004. The United States, which accounts for more than 80 percent of Mexican imports, is expected to continue to be the major pork supplier. At this time,

the Government of Mexico has not yet made a formal decision on the Mexican pork producers' petition for anti-dumping tariffs on U.S. pork.

- **Russia:** On November 29, 2003, the Government of Russia announced guidelines for the 2004 tariff rate quota (TRQ) on pork. The pork TRQ system, which covers HS code 0203 (fresh and frozen pork), sets the following country specific limits: the European Union (including the 10 accession countries) – 227,300 tons; the United States – 42,200 tons; Paraguay – 1,000 tons; all other countries (except CIS countries) compete for the remaining 179,500 tons. The tariff is set at 15 percent, but no less than €0.25 /kg (14 ¢ / lb) for volumes within the TRQ. Above that level, the tariff becomes 80 percent, but no less than €1.06 /kg (60 ¢ / lb). With the TRQ in place, Russia's pork imports are expected to decline by 6 percent in 2004 to 560,000 tons. CIS countries are exempted from the quota system, as are pork imports not under HS 0203. This will benefit countries like Poland and Hungary, which are very competitive in prepared and preserved pork products. Brazil, which over the last three years accounted for as much as 54 percent of Russian imports, will almost certainly be pressing very hard to find a way to recapture its lost market share.



Pork Summary Selected Countries
1,000 Metric Tons (Carcass Weight Equivalent)

	1999	2000	2001	2002	2003 (p)	2004 (f)
Production						
China, Peoples Republic of	40,056	40,314	41,845	43,266	44,600	45,940
European Union 1/	18,059	17,585	17,419	17,780	17,800	17,800
Brazil	1,835	2,010	2,230	2,565	2,560	2,485
Canada	1,564	1,640	1,731	1,854	1,895	1,905
Russian Federation	1,490	1,500	1,560	1,630	1,710	1,760
Poland	1,675	1,620	1,550	1,666	1,783	1,660
Japan	1,277	1,269	1,245	1,236	1,259	1,270
Korea, South	950	1,004	1,077	1,153	1,149	1,175
Philippines	973	1,008	1,064	1,095	1,145	1,175
Mexico	994	1,035	1,065	1,085	1,100	1,150
Others	4,128	3,806	3,683	3,752	3,890	3,626
Total Foreign	73,001	72,791	74,469	77,082	78,891	79,946
United States	8,758	8,597	8,691	8,929	9,073	9,195
World Total	81,759	81,388	83,160	86,011	87,964	89,141

Consumption						
China, Peoples Republic of	40,040	40,378	41,800	43,195	44,467	45,725
European Union 1/	16,723	16,169	16,239	16,621	16,750	16,730
Japan	2,212	2,228	2,268	2,377	2,372	2,590
Russian Federation	2,321	2,019	2,119	2,429	2,309	2,319
Brazil	1,727	1,827	1,919	1,975	1,957	2,060
Poland	1,484	1,544	1,487	1,600	1,670	1,630
Mexico	1,131	1,252	1,298	1,349	1,423	1,475
Korea, Republic of	984	1,058	1,158	1,199	1,296	1,355
Philippines	997	1,032	1,073	1,116	1,155	1,185
Canada	1,077	1,047	1,082	1,072	1,026	955
Others	4,471	4,091	3,987	4,082	4,290	4,048
Total Foreign	73,151	72,645	74,430	77,015	78,715	80,072
United States	8,596	8,457	8,388	8,684	8,833	8,894
World Total	81,747	81,102	82,818	85,699	87,548	88,966

Source: Counselor and attache reports, official statistics, and results of office research.

Note: 1/ The 2004 forecast only represents EU-15.

(p) preliminary; **(f)** forecast

Pork Summary Selected Countries

1,000 Metric Tons (Carcass Weight Equivalent)

	1999	2000	2001	2002	2003 (p)	2004 (f)
Imports						
Japan	919	995	1,068	1,162	1,133	1,300
Russian Federation	832	520	560	800	600	560
Mexico	190	276	294	325	371	385
Hong Kong	217	247	260	275	302	335
Korea, South	156	174	123	155	153	175
China, Peoples Republic of	59	137	94	145	149	155
Canada	65	68	91	91	91	100
European Union 1/	54	54	55	65	70	70
Australia	28	43	38	55	67	65
Taiwan	86	54	14	31	54	60
Others	195	200	201	274	228	185
Total Foreign	2,801	2,768	2,798	3,378	3,218	3,390
United States	375	439	431	485	538	531
World Total	3,176	3,207	3,229	3,863	3,756	3,921
Exports						
European Union 1/	1,390	1,470	1,235	1,194	1,150	1,140
Canada	554	660	728	864	974	1,050
Brazil	109	162	337	590	603	425
China, Peoples Republic of	75	73	139	216	282	370
Poland	235	160	88	93	182	100
Hungary	131	143	118	125	90	80
Australia	38	49	67	78	74	75
Mexico	53	59	61	61	48	60
Czech Republic	10	8	14	29	34	27
Korea, South	113	31	42	16	17	20
Others	23	14	6	4	13	9
Total Foreign	2,731	2,829	2,835	3,270	3,467	3,356
United States	580	584	708	731	779	828
World Total	3,311	3,413	3,543	4,001	4,246	4,184

Source: Counselor and attache reports, official statistics, and results of office research.

Note: 1/ The 2004 forecast only represents EU-15.

(p) preliminary; **(f)** forecast

World Broiler Overview

Total Broiler Meat Exports Forecast to Decrease Marginally in 2004; Imports for Major Countries to Decline 12 Percent

World Trade: Total broiler meat exports in 2004 for major exporting countries are forecast at 6 million tons, virtually unchanged from 2003 levels despite trade restrictions due to Avian Influenza (AI) outbreaks. Three of the top five exporting countries, China, Thailand, and the United States have experienced outbreaks of Avian Influenza in late 2003 and beginning 2004. While most Asian countries have placed nationwide bans on imports from these three suppliers, other countries have placed trade restrictions only on affected regions. For 2004, broiler meat imports for major countries are forecast at 3.8 million tons, a 13-percent decrease from 2003 levels. The decrease is largely due to China, Japan, and the European Union (EU), restricting poultry imports due to AI and Russia setting restrictive poultry meat quota levels for 2004. These four markets accounted for more than 62 percent of world total broiler meat imports by major importers in 2003.

Key Exporters:

- **United States:** Broiler meat exports for 2004 are forecast at 2.25 million tons, a slight increase from the record-high in 2003. Broiler meat production in the United States is forecast to increase by nearly 4 percent in 2004 due to strong domestic demand coupled with expected export opportunities. Prices for chicken leg quarters, the primary product exported by the United States were almost twice as high at the beginning of 2004 than in 2003. In 2003, broiler exports were up by 3 percent and the increase growth was largely attributable in exports to small emerging markets throughout the world. By year-end 2003, broiler exports were up approximately 20 percent to the Caribbean, 30 percent to Africa, and 44 percent to the Middle East. This trend is expected to continue into 2004. Test results concerning the limited outbreak of high-pathogenic AI (HPAI) in Texas showed that it is a less virulent strain than seen in Asia and Canada. After trade restrictions on U.S. poultry product are regionalized, tight supplies among Asian importers are expected to provide some opportunities for U.S. broiler exports to rebound in the Asia region.
- **Brazil:** Broiler meat exports for 2004 are forecast at 2.1 million tons, a 10 percent increase from 2003. Turkey meat exports for 2004 are forecast at 125,000 tons, a 12-percent increase from the 2003 estimate. The increases in exports are attributed to reduced competition from major exporting countries affected by AI. In the absence of three major exporting countries in major Asian markets-- Thailand, China and the United States, Brazil is the best positioned and the most competitive exporter of quality poultry cuts and mechanically de-boned chicken meat. Additionally, several new markets in Europe, Africa and the Middle East have opened to Brazilian chicken, and the number of markets which Brazil has access to has risen from 107 to 120 at the beginning of 2004. Brazilian broiler

production is expected to grow 6 percent in 2004 as a result of strong demand in export markets as well as increased domestic demand. In 2002, Russia imported 283,000 tons of Brazilian broiler meat, however, in 2003, Brazilian suppliers voiced dissatisfaction with Russia about not receiving a country-specific quota allocation. Although Russian officials have expressed openness to a proposal to allocate an individual quota for Brazil, it would probably be subtracted from the current “other country” quota allocation, and would not impact current quota allocations. Under these TRQ, it is expected Russia will import 110,000 tons less of broiler meat in 2004 than it did in 2003, and much of this decline is expected to impact Brazilian exports. Nevertheless, Brazilian export growth will be fueled by a growth in production. However, a smaller corn crop due to dry weather could lend to increased feed prices and possibly constrain poultry production growth.

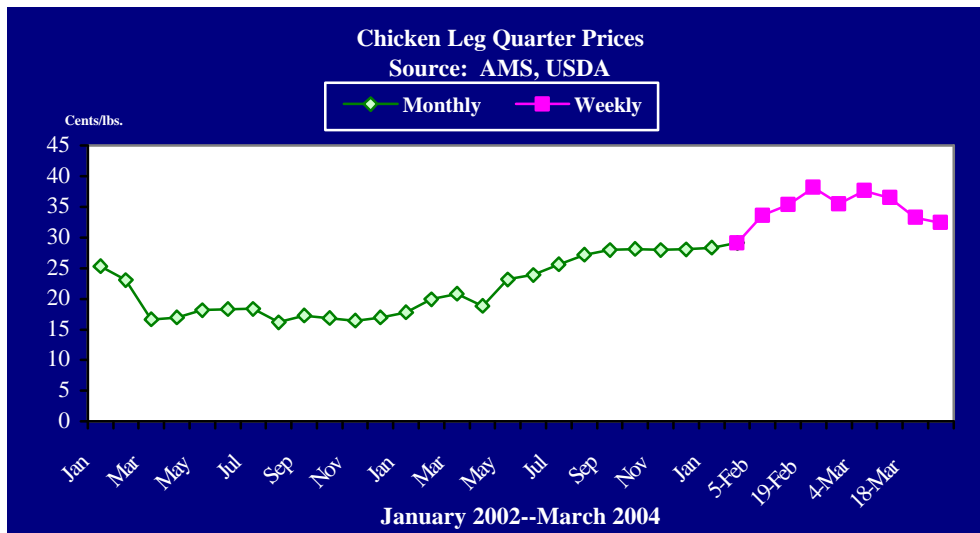
- **European Union:** Broiler meat exports for 2004 are forecast at 780,000 tons, a 7-percent increase from the 2003 estimate due largely to production recovery in the Netherlands. EU exports declined in 2003 as the Netherlands suffered an outbreak of AI. However, the impact from last summer’s heat wave on the EU poultry production was less severe than had earlier been anticipated. A decrease in France’s production is expected because of sluggish demand, both domestically and abroad, but increased production in Germany and the UK will offset France’s decline. EU broiler exports to the Middle East are expected to remain strong through 2004, supported by export refunds to the region.
- **Thailand:** Broiler meat exports for 2004 are forecast to decrease 43 percent to 300,000 tons due to the devastating effects of HPAI outbreaks on poultry production and trade restrictions. In 2004, production is forecast down nearly 22 percent from 2003. Thailand has culled an estimated 30 million birds in an effort to contain HPAI outbreaks. These losses, coupled with the loss of export markets, have translated to sizeable economic shortfalls to producers. Historically, Thai broiler exports consisted mainly of boneless parts, however, the Thai broiler industry has shifted focus in recent years towards cooked and high-value processed products. In 2003, almost 90 percent of Thailand’s broiler exports went to three markets, 50 percent to Japan, 31 percent to the EU and 8 percent to Korea. Thus, Thai exports are greatly impacted by trade restrictions in Japan and the EU. In Japan, Thai exporters will try to quickly meet the demand by switching from uncooked to cooked product; as the Japanese have relaxed trade restrictions and re-opened the market for “cooked” Thai chicken. Before the EU’s ban on imports from Thailand, Thailand supplied primarily value-added parts to the EU. A portion of Thailand’s shipments to the EU is cooked product, which the EU has not banned. It is expected that Thailand will try to substitute cooked product to replace some of the exports to the EU due to bans. However, this lost substitution may depend upon EU consumer preferences and competition with Brazilian product.
- **China:** Broiler meat exports for 2004 are forecast to decrease by 20 percent to 310, 000 tons. The decrease is primarily attributed to the HPAI outbreaks. The

HPAI outbreaks in China are expected to limit any expansion in broiler production in 2004. The State Administration for Quality Supervision, Inspection, and Quarantine of the People's Republic of China (AQSIQ) is not issuing export quarantine certificates from provinces affected by HPAI, which excludes about one third of China's provinces from exporting poultry products, including some of the top producing and exporting provinces. About 41 countries have closed their markets to China's poultry products, including Japan, China's top export destination for frozen chicken cuts. In 2003, 56 percent of China's broiler meat exports went to Japan. China's broiler meat exports include product of the U.S. that has been processed or de-boned and re-exported as Chinese product.

Key Importers:

- **Russia:** Broiler meat imports in 2004 are forecast at 990,000 tons, a 10-percent decrease from 2003 due to quota restrictions. Imports in 2003 remained strong, despite a pro-rated annual quota amount of 744,000 tons, as restrictions did not enter into effect until May 2003. Heavy investment in the domestic broiler industry will continue to expand production capacity and increase efficiency through vertical integration, but these efforts will not be able to meet expected demand for broiler meat in 2004. Russia is expected to use its private stocks by the end of 2004 due to strong domestic demand coupled with tight domestic supplies and quota limits. Because of a tightening of the overall supply situation, upward pressure on prices can be expected. Prices remain significantly higher compared to the same period in 2003, primarily because of quota restrictions placed on poultry meat and general price increases reflected in the world poultry markets due to the trade implications of the Asia AI outbreaks. A new Russian government resolution allows importers to transfer country-specific TRQ allocations to suppliers from other countries in the event that product from a country with a TRQ is banned for unfavorable epizootic conditions.
- **Japan:** Broiler meat imports for 2004 are forecast at 520,000 tons, down 25 percent from the 2003 level due to import restrictions on major exporting countries; namely Thailand, China, Indonesia, and the United States, because of HPAI outbreaks. Imports from Brazil are projected to significantly increase this year and partially fill Japan's strong food service demand. Japan's total consumption is projected 9 percent lower as supplies for non-AI infected countries will be limited and as growing concerns about AI persist. AI outbreaks in China and Thailand compelled Japanese importers to diversify suppliers. Recently, Japan and Thailand reached a new protocol agreement on cooked product and Japan relaxed its ban to allow imports of cooked product from Thailand. The United States is pursuing a similar protocol to resume its cooked product exports to Japan, which are currently banned. On March 3, 2004, Japan confirmed an outbreak of HPAI. Assuming this outbreak is contained, Japanese production is expected to recover by late 2004.

- **European Union:** Broiler meat imports in 2004 are expected to decrease 17 percent from 2003 to 400,000 tons. This is due to an increase in EU supplies, as a result of the expected production recovery from AI in the Netherlands. Overall EU imports for 2004 are also expected to reflect the full closure of the loophole allowing salted poultry to enter Germany at a lower duty. In August 2003, the EU passed legislation that reclassified lightly salted poultry products to a frozen tariff classification. This change closed the loophole that allowed foreign suppliers shipping broiler meat to pay half the tariff applied to frozen product. The reduction in imports is expected to impact mainly imports from Brazil and Thailand, who have historically supplied nearly 80 percent of total EU broiler imports. Also, bans on poultry meat imports from Thailand are likely to limit imports. However, a portion of Thai exports into the EU is made up of cooked chicken meat that will not be affected by the HPAI ban or the change in tariff classification regarding salted poultry meat.
- **China:** Broiler meat imports in 2004 are expected to decline 51 percent from 2003 imports to 220,000 tons, due to China's strict quarantine and sanitary requirements in response to the discovery of AI in the United States. On February 27, 2004, China suspended imports of U.S. poultry and poultry products. Based on historical precedence, China is expected to regionalize its bans, but the positive effects of this regionalization may be limited by Japanese restrictions on U.S. product processed in China for re-export to Japan.
- **Saudi Arabia:** Broiler meat imports in 2004 are forecast to increase 1 percent to 395,000 tons due to competitive prices compared to domestically produced products. Heavy financial, technical and other assistance by the government should facilitate a 2 percent expansion in production in 2004 through lowered production costs. Currently, the Kingdom relies on imports to satisfy about 41 percent of its total domestic broiler meat consumption. With an estimated 60 percent market share, Brazil remains the dominant supplier of frozen chicken meat to the Kingdom, followed by the EU, Argentina, India and the United States; Chinese broiler meat imports are banned from the Kingdom.
- **Mexico:** Broiler meat imports in 2004 are expected to decrease 4 percent from the 2003 estimate, to 350,000 tons. A nationwide ban on U.S. poultry was implemented by Mexico on February 23, 2004 because of an HPAI outbreak in Texas, but partially lifted three weeks later. On March 8, 2004, Mexico eased its AI ban on U.S. poultry products to allow imports of de-boned poultry meat for further processing from 39 states not affected by AI. A few days later, the Government allowed imports of poultry meat into border areas. This comes as great news to operators of large hypermarkets, such as Soriana, H.E.B. and Wal-Mart super stores, and has boosted Mexico's demand for raw materials used in processed meat products. Traders along the Mexican border (southern and northern), anticipate no problems in filling the 101,000-ton import quota for leg quarters in 2004.



Broiler Summary Selected Countries

1,000 Metric Tons (Ready to Cook Equivalent)

	1999	2000	2001	2002	2003 (p)	2004 (f)
Production						
China, Peoples Republic of	8,550	9,269	9,278	9,558	10,000	10,000
Brazil	5,526	5,980	6,567	7,449	7,645	8,105
European Union 2/	6,614	6,654	6,822	6,750	6,466	6,695
Mexico	1,784	1,936	2,067	2,157	2,297	2,460
India	820	1,080	1,250	1,400	1,600	1,800
Japan	1,078	1,091	1,074	1,107	1,127	1,125
Thailand	980	1,070	1,230	1,205	1,320	1,025
Canada	847	877	927	932	915	930
Malaysia	684	786	813	784	810	833
South Africa	681	707	730	760	790	805
Others 1/	6,623	6,944	6,974	7,028	6,247	6,618
Total Foreign	34,187	36,394	37,732	39,130	39,217	40,396
United States	13,367	13,703	14,033	14,467	14,696	15,226
World Total	47,554	50,097	51,765	53,597	53,913	55,622
Consumption						
China, Peoples Republic of	8,734	9,394	9,246	9,559	10,066	9,910
European Union 2/	6,036	6,158	6,517	6,311	6,216	6,315
Brazil	4,791	5,110	5,341	5,872	5,742	6,005
Mexico	1,978	2,163	2,311	2,424	2,634	2,809
India	820	1,080	1,250	1,400	1,600	1,799
Japan	1,742	1,772	1,797	1,830	1,842	1,670
Russian Federation	1,279	1,320	1,588	1,697	1,699	1,699
Canada	866	891	924	915	918	931
Saudi Arabia	718	815	884	870	890	905
Malaysia	705	812	846	821	850	874
Others 1/	8,035	8,157	8,208	8,105	7,361	7,576
Total Foreign	35,704	37,672	38,912	39,804	39,818	40,493
United States	11,251	11,474	11,558	12,269	12,534	12,987
World Total	46,955	49,146	50,470	52,073	52,352	53,480

Source: Counselor and attache reports, official statistics, and results of office research.

Note: 1/ For 2003, Colombia and Egypt are dropped from the database.

2/ The 2004 forecast only represents EU-15.

(p) preliminary; (f) forecast

Broiler Summary Selected Countries

1,000 Metric Tons (Ready to Cook Equivalent)

	1999	2000	2001	2002	2003 (p)	2004 (f)
Imports 1/						
Russian Federation	930	943	1,281	1,208	1,100	990
Japan	667	721	710	744	695	520
European Union 3/	198	278	419	404	480	400
Saudi Arabia	364	348	399	380	390	395
Mexico	195	228	245	267	338	350
China, Peoples Republic of	559	589	457	439	454	220
Hong Kong	275	168	183	164	154	170
United Arab Emirates	117	111	123	136	145	140
Korea, South	47	67	83	94	90	97
Canada	62	69	73	77	85	90
Romania	19	30	58	77	83	85
Others 2/	437	388	334	307	364	365
Total Foreign	3,870	3,940	4,365	4,297	4,378	3,822
World Total	3,870	3,940	4,365	4,297	4,378	3,822
Exports 1/						
Brazil	735	870	1,226	1,577	1,904	2,100
European Union 3/	776	774	724	843	730	780
China, Peoples Republic of	375	464	489	438	388	310
Thailand	285	333	424	465	528	300
Canada	47	55	69	92	85	90
Argentina	3	5	6	18	30	45
United Arab Emirates	19	20	20	37	45	40
Hungary	32	29	28	27	30	30
Poland	20	12	13	23	25	25
Australia	12	14	21	17	19	20
Others 2/	58	49	49	52	54	58
Total Foreign	2,362	2,625	3,069	3,589	3,838	3,798
United States	2,080	2,231	2,520	2,180	2,237	2,248
World Total	4,442	4,856	5,589	5,769	6,075	6,046

Source: Counselor and attache reports, official statistics, and results of office research.

Note: 1/ As of 1997, chicken feet / paws are not included in trade data.

2/ For 2003, Colombia and Egypt are dropped from the database.

3/ The 2004 forecast only represents EU-15.

Turkey Summary Selected Countries

1,000 Metric Tons (Ready to Cook Equivalent)

	1999	2000	2001	2002	2003 (p)	2004 (f)
Production						
European Union 2/	1,830	1,740	1,777	1,755	1,675	1,665
Brazil	115	137	165	182	200	215
Poland	92	115	150	165	170	175
Canada	139	152	149	147	145	147
Hungary	73	78	84	88	90	93
Mexico	12	12	13	13	14	14
Russian Federation	8	7	7	9	12	12
South Africa	2	3	4	3	4	5
Taiwan	2	5	5	5	4	4
Others 1/	89	90	3	0	0	0
Total Foreign	2,362	2,339	2,357	2,367	2,314	2,330
United States	2,372	2,419	2,490	2,557	2,559	2,518
World Total	4,734	4,758	4,847	4,924	4,873	4,848
Consumption						
European Union 2/	1,640	1,553	1,605	1,571	1,573	1,565
Mexico	136	146	157	153	172	178
Poland	85	112	154	167	172	177
Canada	136	137	135	143	143	141
Brazil	89	93	96	92	88	90
Russian Federation	169	170	171	174	115	72
Hungary	53	57	66	68	63	64
South Africa	21	24	19	16	19	20
Taiwan	21	20	13	16	20	20
Others 1/	121	122	36	16	0	0
Total Foreign	2,471	2,434	2,452	2,416	2,365	2,327
United States	2,223	2,223	2,269	2,316	2,300	2,326
World Total	4,694	4,657	4,721	4,732	4,665	4,653

Note: 1/ For 2003, Hong Kong, Korea, Malaysia, and Taiwan are dropped from the database.

2/ The 2004 forecast only represents EU-15.

(p) preliminary; (f) forecast

Turkey Summary Selected Countries

1,000 Metric Tons (Ready to Cook Equivalent)

	1999	2000	2001	2002	2003 (p)	2004 (f)
Imports						
Mexico	128	142	152	147	158	165
European Union 2/	44	61	86	88	108	110
Russian Federation	161	163	164	165	103	60
Taiwan	19	15	8	11	16	16
Poland	8	10	16	17	15	15
South Africa	19	21	15	13	15	15
Canada	5	4	5	7	8	8
Hungary	3	3	9	7	5	5
Others 1/	47	37	26	16	0	0
Total Foreign	434	456	481	471	428	394
World Total	434	456	481	471	428	394
Exports						
European Union 2/	234	248	258	272	210	210
Brazil	26	44	69	90	112	125
Hungary	23	24	27	27	32	34
Canada	10	14	14	16	14	14
Poland	15	13	12	15	13	13
Mexico	4	8	8	7	0	1
Others 1/	6	7	1	0	0	0
Total Foreign	318	358	389	427	381	397
United States	172	202	221	199	219	206
World Total	490	560	610	626	600	603

Source: Counselor and attache reports, official statistics, and results of office research.

Note: 1/ For 2003, Hong Kong, Korea, Malaysia, and Taiwan are dropped from the database.

2/ The 2004 forecast only represents EU-15.

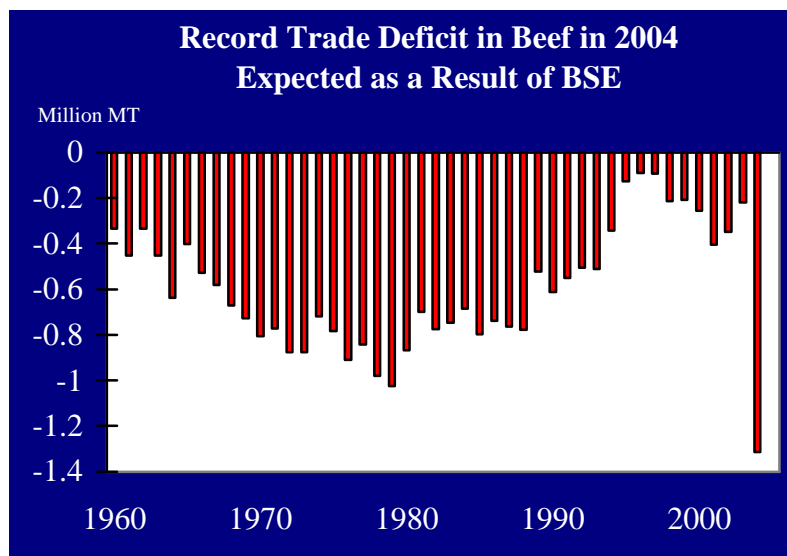
(p) preliminary; **(f)** forecast

After BSE Findings, the United States and Canada Seek to Restore Export Markets

Animal diseases in the last three years have caused major disruptions of trade for beef products. Japan had been the largest importer of beef in the world after the United States, but after finding bovine spongiform encephalopathy (BSE) in 2001, BSE eroded Japanese consumer confidence in the safety of beef, both domestic and imported, and seriously damaged the entire beef industry in Japan. Japanese beef imports declined 30 percent from 2001 to 2002 and did not recover to pre-BSE levels.

In 2003, the finding of BSE in North America, first in Canada and later in the United States, caused countries around the world to ban beef from both countries. Prior to finding BSE, Canada and the United States shipped about 27 percent of world exports. This trade was

significantly disrupted after the two BSE discoveries.



For Canada, exports are about 50 percent of production, making it nearly impossible for the domestic market to absorb all lost exports. Domestic consumption of beef rose in the months following the finding of BSE in support of domestic producers. For the United States, 10 percent of beef production that would normally be exported now must be absorbed into the domestic

market. Thus far, the United States has continued to see high beef prices due to tight cattle supplies and relatively strong consumer demand for beef. Declining cow beef production is expected to increase the demand for imports of lean manufacturing beef to mix with fat trimmings, which will result in expected record beef imports in 2004, forecast at 1.5 million tons.

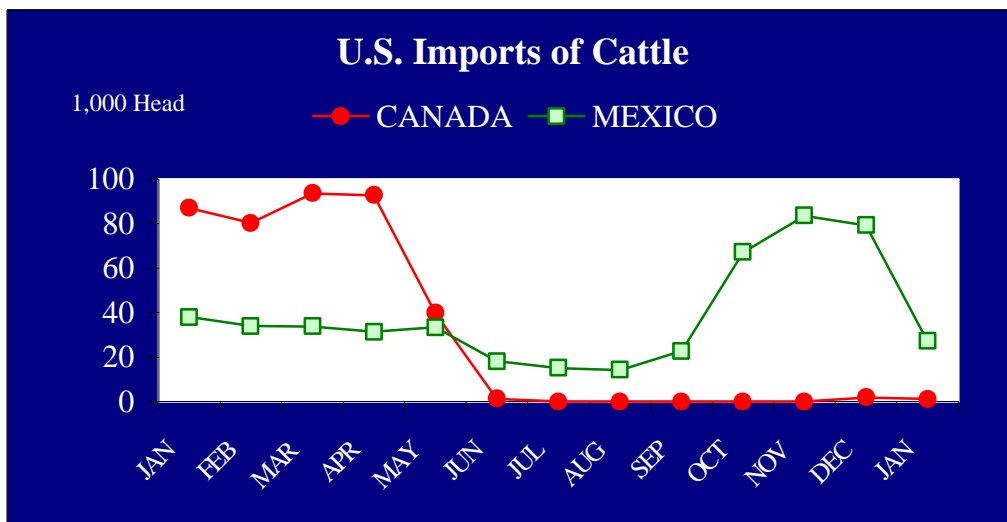
Due to food safety concerns and consumer reactions such as Japan's, it has been common practice internationally to impose bans on all imports of beef from countries where BSE has occurred. However, North America has been more flexible with its neighbors' findings of BSE than more distant trading partners. The United States and Mexico initially restricted imports of Canadian beef after the report of a case of BSE on May 20, 2003, but after evaluating the Canadian situation and Canada's response, both countries began to allow imports of low risk ruminant products from Canada in September 2003. Canada never suspended imports of boneless beef from younger animals from the United States. In March 2004, Mexico announced similar guidelines to allow imports from the United States of boneless beef from cattle less than 30 months of age, as it had for Canada in 2003.

BSE has impacted live cattle trade as well, causing complications in the highly integrated cattle production systems of North America. In the case of Canada, cattle exports to the United States and Mexico were stopped on May 20, 2003 when Canada announced the discovery of BSE. The

United States has not re-opened its market to Canadian cattle, but has published a preliminary rule on cattle imports that proposes to re-open the U.S. border to Canadian cattle under 30 months of age. The comment period will end on April 7, 2004. In 2003, Canada's cattle exports declined by 70 percent and are forecast at zero in 2004 pending the announcement of new rules.

In 2002, prior to finding BSE, U.S. cattle exports were 244,000 head valued at \$125 million. In 2003, cattle exports to Canada totaled \$26.9 million and to Mexico, \$22.5 million. After the U.S. BSE case, exports for 2004 are projected at 5,000 head since the United States may only ship cattle for immediate slaughter to Canada at this time.

In the United States, steps are being taken to quickly implement an expanded BSE surveillance program. The program, lasting 12-18 months, will obtain samples from as many targeted, high-risk animals as is possible, as well as obtain a random sample of normal, but older cattle at slaughter. This intensive effort will allow the United States to determine if BSE exists in the national herd and, if so, accurately estimate the prevalence of the disease in the U.S. cattle population.



World Trade Impact of Avian Influenza Outbreaks in Asia and the United States:

High pathogenic Avian Influenza (HPAI) has been found in twelve countries, all of which have been confirmed to have the disease: Cambodia, Canada, China, Indonesia, Japan, Laos, South Korea, Thailand, the United States and Vietnam. Less virulent low pathogenic strains were discovered in Taiwan and Pakistan. Test results concerning the limited outbreak of HPAI in Texas showed that it is a less virulent strain than seen in Asia and is different than the strain found in Canada. The Food and Agriculture Organization (FAO) of the United Nations estimates the massive slaughter or culling in affected countries to be over 100 million birds. The outbreak has encouraged a number of countries around the world to impose bans on poultry-meat imports from the affected countries. In addition, according to the World Health Organization (WHO), the outbreak of the contagious HPAI is also responsible for human deaths in Vietnam and Thailand. Avian influenza viruses do not usually directly infect humans or circulate among people. Bird flu is very common worldwide and most forms have not been found to infect people.

Two Asian countries affected by HPAI outbreaks are major exporters of poultry meat; Thailand is the world's fourth-largest broiler meat exporter and China is fifth largest. In 2003, Thailand exported 528,000 tons of broiler meat, approximately 9 percent of total world broiler meat exports, and China exported 388,000 tons of broiler meat, approximately 6 percent. In Thailand, broiler meat exports, primarily high-end quality cuts are a major source of foreign exchange. About 46 percent of Thailand's and 56 percent of China's broiler meat exports are destined to Japan. For Thailand, the EU is the next most important export destination. Hong Kong is the second most important destination for China's broiler meat.

In response to HPAI outbreaks, many countries including Japan and Korea have imposed import bans on uncooked poultry products from China, Thailand and the United States. These bans have left a deficit in poultry meat trade throughout the world. Based on historical actions it is expected that Japan and Korea will in time reduce the nation wide ban on U.S. products to products from Texas, which had a confirmed HPAI case. After lifting the month-long suspension on Thai cooked poultry, Japan is expected to shift imports to cooked product.

As world poultry meat supplies continue to tighten, prices can be expected to increase in all the major Asian markets that are highly reliant upon imports as a source of supply. Three Asian countries import a large portion of their total consumption; Japan imports on average 62 percent and Hong Kong 74 percent. In the absence of Thailand and China's exports to Asian markets, Brazil will be the likely supplier to increase exports; it is in the best position and is highly competitive in providing quality-poultry cuts and mechanically de-boned chicken meat. However, assuming bans on U.S. poultry products are reduced to only states confirmed with AI cases, in four markets--Japan, Hong Kong, China, and South Korea, the United States could benefit from the tight market situation. Singapore mainly imports from Brazil and the United States; however, currently imports are limited to fully cooked product. In Taiwan and South Korea, the United States does

not face competition from Brazil, where sanitary restrictions are in place on Brazilian product.